



CITY COUNCIL

CITY AND COUNTY OF HONOLULU

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COUNCILMEMBER DJOU: AUDIT SHOWS CITY DEBT SPIRALLING OUT OF CONTROL TIME TO RESTRAIN GOVERNMENT TAXING AND SPENDING

Today, the City Auditor released a report stating the City and County of Honolulu has “no comprehensive strategic plan to manage all its debt.” Yesterday, the Mayor released his proposed budget that called not only for a 15.3% increase in government spending, but also for the biggest debt spending in City history.

Councilmember Charles K. Djou (Waikiki, Hawaii Kai) reacted to the auditor’s report and the mayor’s budget stating, “It’s clear the City has a debt and spending problem. The City has ‘maxed’ out all of its credit cards and it’s time to realize that we are incurring bills the taxpayers can’t afford. The City Auditor’s report validates my long-standing desire to establish a debt and spending ceiling for Honolulu. We simply cannot continue the practice of increasing debt without a clear plan for paying it back.”

“We also need to hold down our spending and taxes. It is a sure sign that the government is spending too much when the mayor announces in his State of the City address that he is helping taxpayers get loans to pay their tax bills. Honolulu must offer more substantive tax relief and restrictions on spending,” added Councilmember Djou.

The audit revealed that Honolulu's debt service was 12.7% of the operating budget in Fiscal Year 2002, but is projected to grow to a whopping 22% of the budget by 2010.

The audit further found that other municipal governments such as Portland, Denver, Seattle and Scottsdale all have explicit debt ceilings, while Honolulu does not, and those cities have superior debt management practices. The City Council passed a debt and spending ceiling bill introduced by Councilmember Djou in 2003, but the bills did not survive a veto by former Mayor Harris. Councilmember Djou introduced similar bills last year, but his bills are currently opposed by Mayor Hannemann and have not advanced out of committee.

The proposed budget by Mayor Hannemann increases government spending at a rate nearly seven times that of inflation.

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